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| Wednesday 02 November 2016 |

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|  | Briefing |
|  | Apprenticeship Levy: Update on Final Funding Policy |

On Tuesday 25 October 2016, the government published their final funding policy for the Apprenticeship levy. This was a follow-up to the guidance published in August for consultation. The final funding policy addresses a number of the concerns raised during the consultation process and confirms how the government intends to proceed.

**Funding for younger apprenticeships**

The government has confirmed that in addition to the price that the employer and provider agree for training 16-18 year olds on a framework, the provider will also receive an additional payment from government. This will be equivalent to 20% of the funding band maximum for that framework (so in Band 1, for example, where the upper limit is £1,500, the provider would receive an additional payment of £300). This is intended as a transitional measure and will be kept under review.

The government has confirmed that it will introduce £1,000 payments to both employers and providers for taking on a 16-18 year old on an apprenticeship framework or standard, as well as 19-24 year-olds who were formerly in care or who have an Education and Health Care plan.

**Area Cost Adjustment**

The government’s final funding policy confirms the removal of the Area Cost Adjustment previously available for London and the South East. This had been provided in recognition that the cost of delivering an apprenticeship in London is higher than in other parts of the UK. Despite more positive changes to the funding policy elsewhere, this change is still likely to have a negative effect in London.

**Disadvantage Uplift**

The disadvantage uplift was also removed in the government’s original proposals. In the revised guidance, the government has announced that they will retain a simplified version of the current system and provide at least the same level of funding to support those from disadvantaged areas. Providers will receive an additional £600 for training for an apprentice who lives in the top 10% of deprived areas (as per the Index of Multiple Deprivation), £300 for apprentices who live in the next 10% most deprived areas (the 10% - 20% range) and £200 for those in the next 7% (the 20-27% range). These payments will come direct from the government and will not be deducted from an employer’s digital account. Please see the appendix at the end of this document for more information on the number of super output areas in each borough that fall into each of the three funding brackets.

However, this proposal will only be available for apprenticeship frameworks (which are being phased out) and not for apprenticeship standards. This system will also only be in place for one year while the government conducts a fuller review into the best way to support individuals from all backgrounds into an apprenticeship. This review will look at the role of employers, as well as training providers, and the differences in approach that may be needed in different parts of the country.

**Expiry Period of Levy Funds**

Following feedback from employers the government is extending the expiry period so that funds in digital accounts, including top-ups, will expire after 24 months (up from 18) unless they are spent on apprenticeship training.

**Supply Chains**

The government has confirmed its proposals to allow employers to transfer up to 10% of the annual value of the funds entering their digital accounts to other employers or ATAs will go ahead from 2018. However, it recognises that there is significant appetite to go further in this area, so it has created a new employer working group to help develop proposals further for a transfer system that works for employers. This group will help the government design how transfers should work, the level of funds that could be transferred and what controls are needed to protect the integrity of the apprenticeship system.

**Timing of Payments to Providers**

The government will pay providers monthly, with 80% of the total negotiated price being paid this way, spread evenly across the period of the apprenticeship. The remaining 20% will be paid at the end of the apprenticeship. This is similar to the arrangements that have been in place for frameworks where 20% is retained to be paid on successful completion by the apprentice and will now be extended to cover apprenticeship standards.

**Author:** Jamie Saddler, Policy and Projects Officer: Economy, Culture and Tourism

(T: 020 7934 9916 e: jamie.saddler@londoncouncils.gov.uk)

**Appendix – Number of Super Output Areas in each borough eligible for Disadvantage Uplift**

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| **Borough** | **Number of SOAs in 1%-10% bracket on IMD (£600)** | **Number of SOAs in 11%-20% bracket on IMD (£300)** | **Number of SOAs in 21%-27% bracket on IMD (£200)** |
| Barking & Dagenham | 5 | 60 | 24 |
| Barnet | 2 | 16 | 16 |
| Bexley | 0 | 8 | 10 |
| Brent | 14 | 22 | 18 |
| Bromley | 6 | 11 | 11 |
| Camden | 7 | 29 | 14 |
| Croydon | 6 | 41 | 24 |
| Ealing | 8 | 27 | 28 |
| Enfield | 20 | 36 | 26 |
| Greenwich | 3 | 35 | 14 |
| Hackney | 25 | 55 | 30 |
| Hammersmith & Fulham | 8 | 17 | 12 |
| Haringey | 27 | 31 | 22 |
| Harrow | 0 | 2 | 5 |
| Havering  | 1 | 12 | 8 |
| Hillingdon | 0 | 6 | 21 |
| Hounslow | 2 | 14 | 12 |
| Islington | 18 | 36 | 21 |
| Kensington & Chelsea | 11 | 14 | 5 |
| Kingston | 0 | 1 | 2 |
| Lambeth | 13 | 46 | 26 |
| Lewisham | 8 | 55 | 23 |
| Merton | 0 | 4 | 8 |
| Newham | 13 | 54 | 52 |
| Redbridge | 1 | 10 | 12 |
| Richmond | 0 | 1 | 0 |
| Southwark | 8 | 57 | 31 |
| Sutton | 1 | 6 | 5 |
| Tower Hamlets | 34 | 50 | 20 |
| Waltham Forest | 14 | 32 | 29 |
| Wandsworth | 1 | 10 | 10 |
| Westminster | 18 | 17 | 17 |

Source: Index of Multiple Deprivation 2015 - <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>